

HOPE ACADEMY
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2008

HOPE ACADEMY
FINANCIAL STATEMENTS
JUNE 30, 2008

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**GREGORY
TERRELL
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Trustees
Hope Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate fund information of the Hope Academy as of and for the year ended June 30, 2008, as listed in the accompanying table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Hope Academy as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated October 30, 2008 on our consideration of the Hope Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The supplemental information is information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink on a light-colored background.

GREGORY TERRELL & COMPANY
Certified Public Accountants

October 30, 2008

HOPE ACADEMY'S - MANAGEMENT DISCUSSION AND ANALYSIS

This section of, **HOPE ACADEMY'S**, annual financial report presents our discussion and analysis of the Academy's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the Academy's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The Academy's financial status remained stable for the seventh year in a row, and that total net assets increased by:

\$	190	[before depreciation adjustment]
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 - The total cost of basic programs was \$ 4,294,519
 [*includes depreciation adjustment see also page 7]
- Revenues decreased 5% to \$4,218,810 million while expenses decreased by 5% accounting for the excess listed above.
 - Blended enrollment used for state aid purposes was 452 compared to 465 budgeted. However, actual state aid allocations were slightly higher than projected.
- The Academy reduced its outstanding short-term debt which consists primarily of the intermediate loan from Citizens Bank by nine payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

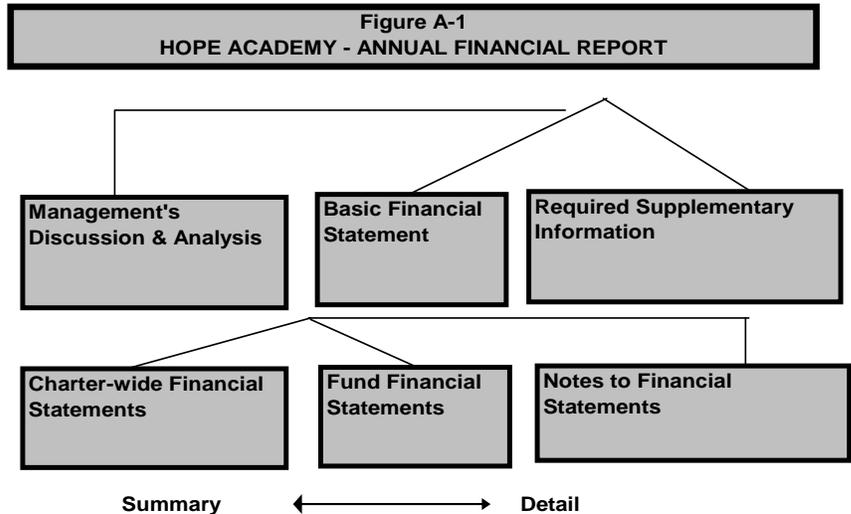
This annual report consist of three parts - management's discussion and analysis [this section], the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Academy:

The first two statements are Academy-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the Academy wide statements.

The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.

Fiduciary Funds statements provide information about the financial relationships in which the Academy acts solely as a trustee or agent for the benefit of others.



HOPE ACADEMY'S - MANAGEMENT DISCUSSION AND ANALYSIS

**Figure A-2
Major Features of Charter-Wide and Fund Financial Statements**

	Fund Financial Statements		
	Charter-Wide <u>Statements</u> ▼	Governmental <u>Funds</u> ▼	Fiduciary <u>Funds</u> ▼
Scope	Entire Academy [except fiduciary funds]	The activities of the Academy that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the Academy administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Type of asset/liability	All assets and liabilities. Both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term, HOPE ACADEMY, Charter School funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

Figure A-2 summarized the major features of the HOPE ACADEMY'S, financial statements, including the portion of the school's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

ACADEMY-WIDE STATEMENTS

The Academy-Wide statements report information about the Academy as a whole using accounting methods similar to those used by private sector companies. The statements of net assets includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

HOPE ACADEMY'S - MANAGEMENT DISCUSSION AND ANALYSIS

The two Academy-wide statements report the Academy's net assets and how they have changed. Net Assets - the difference between the Academy's assets and liabilities - are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, you need to consider additional non-financial factors such as changes in the Academy's enrollment and the condition of school buildings and other facilities, and reductions in the state aid funding allocation.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Academy's funds, focusing on its most significant or 'major' funds - not the Charter as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Governmental activities - Most of the Academy's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- The Academy, establishes other funds to control and manage money for particular purposes [like repaying long term debt] or to show that it is properly using certain revenues like food services and community services funds.

The Academy has two kinds of funds:

- Governmental funds - Most of the Academy's basic services are included in governmental funds, which generally focus on [1] how cash and other financial assets can readily be converted to cash flow in and out and [2] the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statements that explains the relationship [or differences] between them.
- Fiduciary funds - The Academy is the fiduciary for assets that belong to others, such as the student activities fund or the PTO fund. The Academy is responsible for ensuring that the assets reported in these are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the Academy-wide financial statements because the Academy cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net assets - The Academy's combined net assets were slightly increased in 2008 due to decreased expenditures

HOPE ACADEMY'S - MANAGEMENT DISCUSSION AND ANALYSIS

The analysis of the excess that the Academy experienced can be attributed to the following as a result of:

- Decrease in expenditures due to budget modifications

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

The beginning year fund balances were \$433,134 as a result of the excess experienced during the 07-08 year. The ending fund balance for 07-08 was \$433,324.00, as a result of a slight decrease in expenditures.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made in the first quarter to account for the final enrollment counts, and projected cost categories.
- Changes in the overall management structure of the Academy so as to assure that the budget remained compliant with the changes in the Budgeting Act.

While the Academy's final budget for the general fund anticipated that revenues would equal expenditures the actual results for the year show an excess of: \$ 190 Before the adjustment for annual depreciation.

- Actual revenues were 5% lower than expected, due largely to decreases in enrollments.
- The actual expenditures were 5% lower than expected due to changes in the budget based upon decreases in staffing and relative cost, [MESC and health] as well as operating cost for the lunch and breakfast program.

HOPE ACADEMY'S - MANAGEMENT DISCUSSION AND ANALYSIS

APPENDIX A

**Table A-3
Hope Academy's Net Assets**

		6/30/2008
Current and other assets		775,217
Capital assets	[Net of Accumulated Depreciation]	804,793
Total Assets	→	\$ 1,580,010
Long-term debt outstanding		\$ -
Other liabilities		362,333
Total liabilities		\$ 362,333
<u>Net assets:</u>		
Invested in capital assets net of related debt and depreciation	→	784,353
Restricted		-
Unrestricted		433,324
Total net assets		\$ 1,217,677
Total Liabilities & Net Assets:		\$ 1,580,010

**Table A-3
Hope Academy's Net Assets**

		6/30/2008
<u>Revenues:</u>		
<u>Program revenues</u>		
→ Federal & State categorical grants: 31A, Title 1A, Title 5, Lunch Program		\$ 530,895
<u>Governmental revenues</u>		
→ State aid - unrestricted		\$ 3,630,537
Investment revenue		-
Local [EMU, Fundraising, Extended Day]		\$ 57,378
Other Transfers and Financing Sources		\$ -
Total revenues		\$ 4,218,810
<u>Expenses:</u>		
Instruction		\$ 2,216,375
Support services		\$ 1,807,765
Community services		\$ 53,477
Food services		\$ 136,752
Other Transfers and Financing Sources		\$ -
Interest on long-term debt		\$ 940
→ Unallocated depreciation		\$ 79,210
Total expenses		\$ 4,294,519
<u>Increase/[Decrease] in net assets</u>	→	\$ (75,709)

HOPE ACADEMY'S - MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2008, the Academy had not invested any dollars in capital assets. More detailed information about capital assets can be found in Note X to the financial statements. Total depreciation expense for the year listed below:

\$ 79,210

	Cost	Accumulated and Depreciated	Net Book Value
Land	\$ -		\$ -
Buildings	\$ -		\$ -
Leasehold Improvements	\$ 1,216,480	\$ 435,437	\$ 781,042
Furniture & Equipment	\$ 313,501	\$ 289,750	\$ 23,751
Total	\$ 1,529,981	\$ 725,187	\$ 804,793

The Academy's fiscal year 2008-09 capital budget anticipates spending another \$45,000 for capital projects, principally in two areas:

- \$30,000.00 to continue the modernization of technology
- \$15,000.00 to purchase such equipment as lockers and desks.

Long-term debt

At year end the Academy had a capital lease obligation that matures in fiscal 2009-2010. All other liabilities outstanding represented on the balance sheet were short term, payable within one year.

FACTORS BEARING ON THE ACADEMY'S FUTURE

At the time these financial statements were prepared and audited, the Academy was aware of one existing circumstance that could significantly affect its financial health in the future:

- The 2008-09 foundation allowance has not been fully disclosed based on the fiscal year 07- 08 budget changes this poses a potential risk to the budget for 08 - 09.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Academy's office at 10100 Grand River, Detroit MI 48204.

HOPE ACADEMY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 77,450
Due from Other Governmental Units and Funds	658,789
Prepaid Expenditures	<u>38,978</u>
Total Current Assets	\$ <u>775,217</u>
Noncurrent Assets:	
Capital Assets	\$ 1,529,980
Less Accumulated Depreciation	<u>(725,187)</u>
Total Noncurrent Assets	\$ <u>804,793</u>
Total Assets	\$ <u><u>1,580,010</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 127,567
Accrued Expenditures	214,326
Current Portion of Capital Lease Obligation	<u>14,698</u>
Total Current Liabilities	\$ <u>356,591</u>
Capital Lease Obligation, Net of Current Portion	\$ <u>5,742</u>
Total Liabilities	\$ <u><u>362,333</u></u>
Net Assets	
Invested in Capital Assets Net of Related Debt	\$ 784,353
Unrestricted	<u>433,324</u>
Total Net Assets	\$ <u>1,217,677</u>
Total Liabilities and Net Assets	\$ <u><u>1,580,010</u></u>

The accompanying notes are an integral part of this financial statement.

HOPE ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>Function / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (expenses) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction	\$ 2,216,375	\$ -	\$ 394,045	\$ (1,822,330)
Support Services	1,807,765	-	18,000	(1,789,765)
Food Services	136,752	3,901	132,851	-
Community Services	53,477	-	-	(53,477)
Interest on Capital Lease Obligation	940	-	-	(940)
Unallocated Depreciation	<u>79,210</u>	<u>-</u>	<u>-</u>	<u>(79,210)</u>
Total Governmental Activities:	<u>\$ 4,294,519</u>	<u>\$ 3,901</u>	<u>\$ 544,896</u>	<u>\$ (3,745,722)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 3,630,537
Miscellaneous Revenue				<u>39,476</u>
Total General Revenues				<u>\$ 3,670,013</u>
Change in Net Assets				\$ (75,709)
Net Assets , Beginning of Year				<u>1,293,386</u>
Net Assets , Ending of Year				<u>\$ 1,217,677</u>

The accompanying notes are an integral part of this financial statement.

HOPE ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Assets			
Cash and Cash Equivalents	\$ 76,819	\$ 631	\$ 77,450
Due from Other Governmental Units	658,789	-	658,789
Prepaid Expenditures	<u>38,978</u>	<u>-</u>	<u>38,978</u>
Total Assets	<u>\$ 774,586</u>	<u>\$ 631</u>	<u>\$ 775,217</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 127,567	\$ -	\$ 127,567
Accrued Expenditures	<u>214,326</u>	<u>-</u>	<u>214,326</u>
Total Liabilities	<u>\$ 341,893</u>	<u>\$ -</u>	<u>\$ 341,893</u>
Fund Balances			
Reserved for:			
Prepaid Expenditures	\$ 38,978	\$ -	\$ 38,978
Unreserved, reported in:			
Unrestricted	<u>393,715</u>	<u>631</u>	<u>394,346</u>
Total Fund Balances	<u>\$ 432,693</u>	<u>\$ 631</u>	<u>\$ 433,324</u>
Total Liabilities and Fund Balances	<u>\$ 774,586</u>	<u>\$ 631</u>	<u>\$ 775,217</u>
Total Governmental Fund Balances			\$ 433,324
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			804,793
Capital Lease Obligation is not due and payable in the current period and therefore is not reported in the funds			<u>(20,440)</u>
Net assets of governmental activities			<u>\$ 1,217,677</u>

The accompanying notes are an integral part of this financial statement.

HOPE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local Sources	\$ -	\$ 57,378	\$ 57,378
State Sources	3,630,537	6,394	3,636,931
Federal Sources	<u>398,044</u>	<u>126,457</u>	<u>524,501</u>
Total Revenues	<u>\$ 4,028,581</u>	<u>\$ 190,229</u>	<u>\$ 4,218,810</u>
EXPENDITURES:			
Current:			
Instruction:			
Basic Programs	\$ 1,914,139	\$ -	\$ 1,914,139
Added Needs	<u>302,236</u>	<u>-</u>	<u>302,236</u>
Total Instruction	<u>\$ 2,216,375</u>	<u>\$ -</u>	<u>\$ 2,216,375</u>
Support Services:			
Pupil	\$ 32,631	\$ -	\$ 32,631
Instructional Support	58,674	-	58,674
General Administration	26,178	-	26,178
School Administration	598,118	-	598,118
Business	78,457	-	78,457
Operations and Maintenance	<u>1,013,707</u>	<u>-</u>	<u>1,013,707</u>
Total Support Services	<u>\$ 1,807,765</u>	<u>\$ -</u>	<u>\$ 1,807,765</u>
Capital Outlay	<u>\$ 23,751</u>	<u>\$ -</u>	<u>\$ 23,751</u>
Community Services	<u>\$ -</u>	<u>\$ 53,477</u>	<u>\$ 53,477</u>
Food Services	<u>\$ -</u>	<u>\$ 136,752</u>	<u>\$ 136,752</u>
Principal paid on Capital Lease Obligation	<u>\$ -</u>	<u>\$ 3,311</u>	<u>\$ 3,311</u>
Interest paid on Capital Lease Obligation	<u>\$ -</u>	<u>\$ 940</u>	<u>\$ 940</u>
Total Expenditures	<u>\$ 4,047,891</u>	<u>\$ 194,480</u>	<u>\$ 4,242,371</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (19,310)</u>	<u>\$ (4,251)</u>	<u>\$ (23,561)</u>
OTHER FINANCING SOURCES (USES):			
Financing Sources	\$ 23,751	\$ -	\$ 23,751
Operating Transfers In	-	-	-
Operating Transfers Out	<u>(4,251)</u>	<u>4,251</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ 190</u>
Beginning of Year	<u>432,503</u>	<u>631</u>	<u>433,134</u>
End of Year	<u>\$ 432,693</u>	<u>\$ 631</u>	<u>\$ 433,324</u>

The accompanying notes are an integral part of this financial statement.

HOPE ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances total governmental funds	\$	190
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.</p>		
Depreciation expense		(79,210)
Capital Outlay		23,751
Principal payment on capital lease obligation		3,311
Capital lease recorded as other finance sources in governmental funds but not in the statement of activities		<u>(23,751)</u>
Change in net assets of governmental activities	\$	<u>(75,709)</u>

The accompanying notes are an integral part of this financial statement.

HOPE ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Positive / (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local	\$ -	\$ -	\$ -	\$ -
State Sources	3,613,909	3,613,909	3,630,537	16,628
Federal Sources	<u>402,895</u>	<u>393,453</u>	<u>398,044</u>	<u>4,591</u>
Total Revenues	<u>\$ 4,016,804</u>	<u>\$ 4,007,362</u>	<u>\$ 4,028,581</u>	<u>\$ 21,219</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic Programs	\$ 1,933,355	\$ 1,933,355	\$ 1,914,139	\$ 19,216
Added Needs	<u>235,000</u>	<u>234,000</u>	<u>302,236</u>	<u>(68,236)</u>
Total Instruction	<u>\$ 2,168,355</u>	<u>\$ 2,167,355</u>	<u>\$ 2,216,375</u>	<u>\$ (49,020)</u>
Support Services:				
Pupil	\$ 25,000	\$ 35,000	\$ 32,631	\$ 2,369
Instructional Staff	48,000	58,000	58,674	(674)
General Administration	23,000	33,671	26,178	7,493
School Administration	557,807	577,807	598,118	(20,311)
Business	81,572	81,572	78,457	3,115
Operations and Maintenance	<u>1,013,957</u>	<u>1,013,957</u>	<u>1,013,707</u>	<u>250</u>
Total Support Services	<u>\$ 1,749,336</u>	<u>\$ 1,800,007</u>	<u>\$ 1,807,765</u>	<u>\$ (7,758)</u>
Capital Outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,751</u>	<u>\$ (23,751)</u>
Total Expenditures	<u>\$ 3,917,691</u>	<u>\$ 3,967,362</u>	<u>\$ 4,047,891</u>	<u>\$ (80,529)</u>
Revenues Over (Under) Expenditures	\$ 99,113	\$ 40,000	\$ (19,310)	\$ (59,311)
OTHER FINANCING SOURCES (USES):				
Financing Sources	\$ -	\$ -	\$ 23,751	\$ (23,751)
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(4,251)</u>	<u>(4,251)</u>
NET CHANGE IN FUND BALANCE	\$ 99,113	\$ 40,000	\$ 190	\$ (39,810)
Beginning of Year	<u>432,503</u>	<u>432,503</u>	<u>432,503</u>	<u>-</u>
End of Year	<u>\$ 531,616</u>	<u>\$ 472,503</u>	<u>\$ 432,693</u>	<u>\$ (39,810)</u>

The accompanying notes are an integral part of this financial statement.

HOPE ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
COMMUNITY SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Positive / (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local	\$ 64,101	\$ 47,101	\$ 53,477	\$ 6,376
State Sources	-	-	-	-
Federal Sources	-	-	-	-
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Total Revenues	<u>\$ 64,101</u>	<u>\$ 47,101</u>	<u>\$ 53,477</u>	<u>\$ 6,376</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic Programs	\$ -	\$ -	\$ -	\$ -
Added Needs	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Instruction	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Support Services:				
Pupil	\$ -	\$ -	\$ -	\$ -
Instructional Staff	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Business	-	-	-	-
Operations and Maintenance	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Support Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Community Services	<u>\$ 64,101</u>	<u>\$ 47,101</u>	<u>\$ 53,477</u>	<u>\$ (6,376)</u>
Food Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>\$ 64,101</u>	<u>\$ 47,101</u>	<u>\$ 53,477</u>	<u>\$ (6,376)</u>
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -
Beginning of Year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

HOPE ACADEMY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
SCHOOL LUNCH FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Positive / (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local	\$ 6,000	\$ 6,000	\$ 3,901	(2,099)
State Sources	122,100	122,100	6,394	(115,706)
Federal Sources	<u>-</u>	<u>-</u>	<u>126,457</u>	<u>126,457</u>
Total Revenues	<u>\$ 128,100</u>	<u>\$ 128,100</u>	<u>\$ 136,752</u>	<u>\$ 8,652</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic Programs	\$ -	\$ -	\$ -	\$ -
Added Needs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Instruction	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Support Services:				
Pupil	\$ -	\$ -	\$ -	\$ -
Instructional Staff	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Business	-	-	-	-
Operations and Maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Community Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Food Services	<u>\$ 128,100</u>	<u>\$ 128,100</u>	<u>\$ 136,752</u>	<u>\$ (8,652)</u>
Total Expenditures	<u>\$ 128,100</u>	<u>\$ 128,100</u>	<u>\$ 136,752</u>	<u>\$ (8,652)</u>
Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -
Beginning of Year	<u>-</u>	<u>-</u>	<u>631</u>	<u>(631)</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631</u>	<u>\$ (631)</u>

The accompanying notes are an integral part of this financial statement.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2008

(1) **ORGANIZATION**

Hope Academy is a Public School Academy (K-6). The State of Michigan has delegated to Eastern Michigan University the responsibility of authorizing the establishment of public school academies. Eastern Michigan University approved the establishment of Hope Academy pursuant to the Michigan School Code of 1976 ("Code"), as amended.

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All of the Academy's activities are classified as governmental activities.

The statement of activities, demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

Measurement focus, basis of accounting, and financial statement presentation

The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS** (cont'd)

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The Academy reports the following non-major governmental funds:

The *school service fund* is the Academy's primary non-major fund. It is used to account for food services operations and community service activities. It is a subsidiary operation and obligation of the General Fund.

The *debt services fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by Hope Academy (the "Academy") are described below:

Cash Equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

Investments

Investments are stated at fair value.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset of materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Furniture and other equipment	3-7 years
Leasehold Improvements	20 years

The Academy's capitalization policy is individual amounts exceeding \$1,000.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Use of Estimates

The preparation of general purpose financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgets and Budgetary Accounts

The General Fund and School Service Fund budgets were adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978).

For the year end June 30, 2008, expenditures exceeded appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Added Needs	\$ 234,000	\$ 302,236	\$ (68,236)
Instructional Staff	58,000	58,674	(674)
School Administration	577,807	598,118	(20,311)
Capital Outlay	-	23,751	(23,751)
School Service Fund			
Food Services	\$ 128,100	\$ 136,752	\$ (8,652)

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

(4) **CASH AND CASH EQUIVALENTS**

The Academy's deposits are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ <u>77,450</u>
---------------------------	------------------

State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$118,214, of which, all was covered under FDIC insurance.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

(5) **CAPITAL ASSETS**

A summary of capital assets is presented below:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets				
Furniture and equipment	\$ 289,749	\$ 23,751	\$ -	\$ 313,500
Leasehold improvements	<u>1,216,480</u>	<u>-</u>	<u>-</u>	<u>1,216,480</u>
Subtotal	<u>\$ 1,506,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,529,980</u>
Less Accumulated depreciation				
Furniture and equipment	\$ 282,160	\$ 12,995	\$ -	\$ 295,155
Leasehold improvements	<u>363,817</u>	<u>66,215</u>	<u>-</u>	<u>430,032</u>
Subtotal	<u>\$ 645,977</u>	<u>\$ 79,210</u>	<u>\$ -</u>	<u>\$ 725,187</u>
Net capital assets	<u>\$ 860,252</u>	<u>\$ 55,459</u>	<u>\$ -</u>	<u>\$ 804,793</u>

Depreciation for fiscal year ended June 30, 2008 amounted to \$79,210. The Academy determined that it was impractical to allocate depreciation to the various Academy activities as the assets serve multiple functions.

(6) **DEFINED BENEFIT PENSION PLAN**

Plan Description – Hope Academy participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Academy. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district or participating Public School Academy is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. Then pension benefit rate total was 17.34 percent for the period October 1, 2006 through September 30, 2007 and 16.72 percent for the period from October 1, 2007 through September 30, 2008 of the covered payroll plan. Basic plan members make no contributions. Member Investment Plan (MIP) participants contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The Academy's contributions to the MPERS plan for the year ended June 30, 2008, was \$279,211.

HOPE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

(7) **LEASE COMMITMENTS**

Hope Academy leases classroom and office space from Straight Gate Church under an operating lease. The lease required monthly payments of \$78,555 for the fiscal year ending June 30, 2008. The lease payments for the 2007-2008 school year were \$942,660.

The \$20,440 capital lease obligation represents the outstanding balance on a \$23,751 capital lease for computer equipment. The lease requires monthly payments of \$1,417 and carries an interest rate of 16.60%. The lease commenced April 2008 and is scheduled to mature in November 2009. The future minimum lease payments are as follows:

2009	\$ 17,004
2010	<u>5,950</u>
	\$ 22,954
Less: Amount representing interest	<u>(2,514)</u>
Capital Lease Obligation	<u>\$ 20,440</u>

(8) **SUBSEQUENT EVENTS**

In July 2008, Hope Academy entered into an agreement with Citizens Bank for a State Aid Note in the amount of \$350,000. The Note is guaranteed by the Academy's State Aid payments. The note has an interest rate of 4.120% and is payable in nine monthly payments of \$39,905.

HOPE ACADEMY
SINGLE AUDIT REPORT
JUNE 30, 2008

HOPE ACADEMY
SINGLE AUDIT REPORT
JUNE 30, 2008

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**GREGORY
TERRELL
& COMPANY**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
Hope Academy
Detroit, Michigan

We have audited the financial statements of Hope Academy (the "Academy") as of and for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

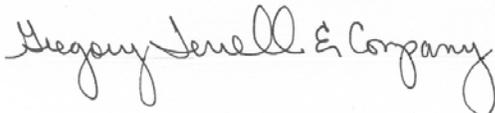
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

This report is intended solely for the information and use of management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink on a light-colored background.

GREGORY TERRELL & COMPANY
Certified Public Accountants

October 30, 2008



**GREGORY
TERRELL
& COMPANY**

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees of
Hope Academy
Detroit, Michigan

Compliance

We have audited the compliance of Hope Academy (“the Academy”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Academy’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Academy’s management. Our responsibility is to express an opinion on the Academy’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Academy’s compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs under 08-1.

Internal Control Over Compliance

The management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Academy as of and for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gregory Terrell & Company".

GREGORY TERRELL & COMPANY
Certified Public Accountants

October 30, 2008

HOPE ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Grant ID Number	Award Amount	Accrued or (Deferred) Revenue at June 30,2007	Receipts	Current Year Expenditures	Adjustments	Accrued or (Deferred) Revenue at June 30,2008
U.S. Department of Agriculture								
-- Passed through the State of Michigan								
Food Donation	10.550	082942	\$ 7,904	\$ -	\$ 7,904	\$ 7,904	\$ -	\$ -
National School Lunch Program	10.555	081960	118,553	-	118,553	118,553	-	-
Total U.S. Department of Agriculture			<u>\$ 126,457</u>	<u>\$ -</u>	<u>\$ 126,457</u>	<u>\$ 126,457</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. Department of Education								
-- Passed through State of Michigan								
Title I, Part A-Improving Basic Programs	84.010	081530	\$ 303,115	\$ -	\$ 303,115	\$ 303,115	\$ -	\$ -
Title I, Part A-Improving Basic Programs	84.010		-	-	-	-	-	-
Total			<u>303,115</u>	<u>-</u>	<u>303,115</u>	<u>303,115</u>	<u>-</u>	<u>-</u>
Title V-Part A-Innovative Programs	84.298	080250	2,506	-	2,506	2,506	-	-
Total			<u>2,506</u>	<u>-</u>	<u>2,506</u>	<u>2,506</u>	<u>-</u>	<u>-</u>
Title II, Part A-Teacher/Principal Training	84.367	080520	17,863	-	17,863	17,863	-	-
Total			<u>17,863</u>	<u>-</u>	<u>17,863</u>	<u>17,863</u>	<u>-</u>	<u>-</u>
Service Provider Self Review	84.027	080440	4,000	-	4,000	4,000	-	-
Total			<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>
Safe & Drug Free School	84.186	082860	4,533	-	4,533	4,533	-	-
Total			<u>4,533</u>	<u>-</u>	<u>4,533</u>	<u>4,533</u>	<u>-</u>	<u>-</u>
Wayne County RESA IDEA	84.027A	080450	66,027	-	66,027	66,027	-	-
Total			<u>66,027</u>	<u>-</u>	<u>66,027</u>	<u>66,027</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education			<u>\$ 398,044</u>	<u>\$ -</u>	<u>\$ 398,044</u>	<u>\$ 398,044</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL FEDERAL AWARDS			<u>\$ 524,501</u>	<u>\$ -</u>	<u>\$ 524,501</u>	<u>\$ 524,501</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

HOPE ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

(1) **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activities of federal financial assistance programs of Hope Academy. Federal awards received directly from federal agencies as well as federal awards passed through other agencies are included on the schedule.

(2) **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

(3) **MAJOR PROGRAMS**

Major programs were determined in accordance with the Office of Management and Budget (OMB) Circular A-133. "Audits of States, Local Governments and Non-Profit Organizations".

HOPE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified not
considered to be material weakness(es)? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified not
considered to be material weakness(es)? X yes _____ no

Type of auditors’ report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133, Section
.510(a)? X yes _____ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
--------------------	--------------------------------

84.010	Title I – Part A
--------	------------------

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II – Financial Statement Findings

No financial statement findings were required to be disclosed.

HOPE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008
(continued)

Section III – Federal Awards Findings and Questioned Costs

<u>Reference Number</u>	<u>Finding</u>
08-1	<p>Program Type – Title I</p> <p>Pass-through Entity – Michigan Department of Education</p> <p>Finding Type – Time & Effort Reporting – noncompliance condition</p> <p>Criteria – OMB Circular A-87 requires co-funded and 100% funded staff that spends time working on federal programs to prepare personnel activity reports (PAR's).</p> <p>Condition - Hope Academy failed to maintain (PAR's) for staff that worked on the Title I program.</p> <p>Questioned Costs - Not applicable.</p> <p>Description – The timesheets maintained by Hope Academy Instructional staff was not detailed to ensure the time spent by staff were for services of the Title I program.</p> <p>Recommendations - The Academy should establish a method to ensure staff time charged against federal programs are tracked and are in accordance with OMB Circular A-87 and the Michigan Department of Education requirements.</p> <p>Management's Response - We are in agreement with the finding and have made the following procedural changes. Effective, November 10, 2008 the timesheets will indicate Title 1 program employees and time allocated. Also, beginning January 1, 2009, the payroll processor, Pay Systems, will report by detail departmental distributions, the instructional staff charged to the Title 1 program.</p>

HOPE ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None noted.